

## Message Text

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61

ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 IO-14 ACDA-19 DRC-01 /135 W

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R 131638Z SEP 74

FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 9656

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY HELSINKI

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY REYKJAVIK

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION NATO

C O N F I D E N T I A L COPENHAGEN 2567

E.O. 11652: GDS

TAGS: PINT, EGEN, DA

SUBJ: NEGOTIATIONS WITH SOCIAL DEMOCRATS FAIL

REF COPENHAGEN 2543

SUMMARY: GOVERNMENT'S NEGOTIATIONS WITH SOCIAL DEMOCRATS  
ON TAX REFORM AND ECONOMIC PROGRAM BROKE DOWN AGAIN SEPT 12.  
ALTHOUGH MOST OBSERVERS NOW CONSIDER AN ELECTION UNAVOIDABLE,  
THE NON-SOCIALIST PARTIES HAVE MOUNTED A DESPERATE EFFORT  
TO MAKE HARTLING AN OFFER HE CANNOT REFUSE. DUE TO EC PRIME  
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MINISTERS' DINNER IN PARIS SEPT 14 THE TIME OF DECISION

(SECOND AND THIRD READINGS ON THE TAX REFORM BILL) HAS BEEN PUT OFF TO NEXT WEEK. END SUMMARY.

1. PRIMIN HARTLING AND SOCIAL DEMOCRATIC PARTY CHAIRMAN ANKER JORGENSEN BROKE OFF THEIR THIRD ATTEMPT TO REACH A COMPROMISE LATE AFTERNOON SEPT 12. WITH FAILURE OF THIS THIRD ROUND, THE PROSPECT OF AN ELECTION IN OCTOBER LOOMS EVER LARGER -- DESPITE A GENERAL MOOD IN THE COUNTRY AGAINST ONE AT THIS TIME. BUSINESS AND INDUSTRIAL CIRCLES ARE PARTICULARLY OPPOSED AND ARE EXERTING PRESSURE ON GOVERNMENT AND LABOR UNIONS TO AVOID AN ELECTION.

2. AT SOCIAL DEMOCRATIC PARLIAMENTARY GROUP AND EXECUTIVE COUNCIL MEETINGS MORNING SEPT 13, HOWEVER, THERE WAS NEAR UNANIMITY THAT ELECTION WAS PREFERABLE COURSE AT THIS JUNCTURE. AND HARTLING TOO IS SUSPECTED OF MANEUVERING IN FAVOR OF ELECTIONS.

3. NON-SOCIALIST PARTIES REACTED TO BREAKDOWN OF TALKS WITH NEW EFFORT TO FORCE HARTLING EITHER TO ACCEPT SUPPORT OF GLISTRUP'S 28 PROGRESS PARTY VOTES OR TO AGREE TO ADOPTION OF TAX BILL ON BASIS OF RADICAL PARTY (20 SEATS) AGREEMENT TO ABSTAIN ON THE CRUCIAL VOTE INCREASING VAT BY FIVE PER CENT. THIS LATTER ALTERNATIVE WOULD CONCEIVABLY PERMIT LIBERALS (22 SEATS), CENTER DEMOCRATS (14), CHRISTIANS (7), CONSERVATIVES (16), AND JUSTICE PARTY (5) TO CARRY HARTLING'S TAX REFORM LEGISLATION WITH ONE VOTE MAJORITY OVER SOCIAL DEMOCRATS (46), SOCIALIST PEOPLES (11), AND COMMUNISTS (6) VOTES. HARTLING IS, HOWEVER, UNLIKELY TO ACCEPT THIS LAST DITCH EFFORT SINCE ANY COMPROMISE EXCLUDING THE SOCIAL DEMOCRATS IS SEEN AS DESTROYING THE POSSIBILITY OF OBTAINING A REASONABLE OUTCOME IN NATIONAL WAGE NEGOTIATIONS NEXT SPRING.

4. IT HAS BEEN AGREED TO POSTPONE SECOND AND THIRD READINGS OF THE TAX BILL TO SEPT 17 AND 20 RESPECTIVELY, IN PART TO PERMIT THE GENERAL OPPOSITION TO ELECTIONS AT THIS TIME TO REGISTER WITH THE SOCIAL DEMOCRATS. IN ADDITION, THE POSTPONEMENT PERMITS HARTLING TO ATTEND

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THE DC NINE HEADS OF GOVERNMENT DINNER IN PARIS WITHOUT BEARING LAME DUCK STIGMA.

5. HARTLING MAY WELL CALL ELECTIONS PRIOR TO A VOTE ON THE TAX BILL. HIS DEFEAT ON THE TAX BILL WOULD BE TANTAMOUNT TO ONE OF NO CONFIDENCE AND REQUIRE HIS RESIGNATION. HE CAN CONSTITUTIONALLY CALL AN ELECTION WITHOUT RESIGNING; IN THAT CASE HE WOULD ASSURE HIMSELF CONTIN-

UATION RIGHTS AS PRIMIN IF ELECTION RESULTS COULD BE CONSIDERED AN  
ENDORSEMENT OF HIS POLICIES. CROWE

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